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C O N F I D E N T I A L SECTION 01 OF 02 HAVANA 000183

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TAGS: ECON PGOV PINR PREL CU

SUBJECT: CUBA: RAUL CASTRO TAKES CHARGE IN HIS OWN WAY

REF: HAVANA 182

Classified By: COM: Michael E. Parmly: For reasons 1.4 b/d

**¶1.** (C) SUMMARY: Cuba's National Assembly convened on February 24 to elect the country's ruling Council of State. Raul Castro was voted president and announced plans to streamline GOC institutions and undertake some economic reforms. He also said he intends to consult Fidel Castro on important matters. The new makeup of the Council of State is more reflective of the previous hardline status quo than of the new reformist leadership many had expected. The substance of Raul's message, however, challenged a number of hardline tenets. We will be looking, on the days ahead, for the reaction of average Cubans. End Summary.

Almost no political changes:

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**¶2.** (U) Cuba's 614 delegates to the National Assembly (NA) convened on February 24 to elect the country's ruling 31-member Council of State (CoS). The new council leadership consists of: Raul Castro, president; Jose Ramon Machado Ventura, first vice president; five vice presidents Juan Almeida Bosque, Abelardo Colome Ibarra, Carlos Lage Davila, Esteban Lazo Hernandez, and Julio Casas Regueiro; and council secretary Jose Miyar Barrueco. Most of the 23 members of the

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CoS barely changed, but the absence of identified non-hardliners, such as Fernando Remirez de Estenoz and Eusebio Leal caught the attention of several of our contacts.

The NA leadership remained largely unchanged, with Ricardo Alarcon confirmed as president once again, and Jaime Crombet as vice president.

Raul Castro's speech:

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**¶3.** (C) Raul Castro spoke for about 35 minutes after his confirmation, highlighting some of his intentions:

-- While he accepted the presidency, Raul Castro insisted that his brother Fidel Castro remained the only "Commander in Chief" and asked the NA delegates' approval for his intention to consult with Fidel Castro on major strategic decisions related to defense, foreign policy and socioeconomic

development. The NA subsequently granted its approval, unanimously.

-- Raul Castro said the GOC was not living up to the expectations of the Cuban people and needed to be streamlined. Contrasting 1994 -- when the GOC was, according to Castro, "forced by a hostile environment" to enact some reforms -- with today, when the GOC has had more than adequate time to plan future changes, he said government management must be more efficient and discipline must improve at every level. He announced that in the coming weeks several regulations, which he described as originally having been enacted to counter growing inequalities, would be eliminated because today they are restrictive and ineffectual. He reiterated that other reforms require more complex solutions and would take more time.

-- Since the Communist Party will remain the only political party, it must be, in Raul Castro's words, "more democratic." While calling the GOC to be more responsive, he encouraged a continuation of the critical debate, begun during the past year, without fear of conflicting views, but within the framework of "legality."

-- Defiance against the U.S., a typical theme on all GOC speeches, was noticeably lower in rhetoric than previously and commented on by more than one Cuban contact. Instead of merely making U.S. sanctions a scapegoat for GOC problems, Raul Castro used it as a motivation platform, saying that throughout Cuban history, increased difficulties (in this case from U.S. sanctions) have increased the Cuban people's determination to overcome those difficulties, by working and producing more.

-- By saying that economic growth is invariably dependent upon available resources (i.e., available to the GOC), Raul

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Castro confirmed that the centrally-planned economic model is not subject to change. However, Raul Castro mentioned repeatedly throughout his speech that sustained economic growth will be key to the country's progress. He made clear that some economic changes would be part of a long process and promised nothing tangible -- other than more hard work -- for the short term. For the first time in our memory, Raul addressed the dual currency issue by confirming that the GOC plans a "progressive, gradual and prudent revaluation of the Cuban peso," but added that the matter was "sensitive and complex, requiring an integral approach." He explained that this approach will need to address various inter-related areas, such as "the salary system, the price structure, gratifications (hard-currency payments earned on the side), million-dollar subsidies, and the rationing system." He referred to the rationing system as "a practice that is currently irrational and unsustainable." He specifically mentioned the need for improvements in agriculture.

¶4. (SBU) There was a noticeable increase of police forces throughout Havana during the days leading up to the NA. We have not received any reports of instability and Havana remains calm after Raul Castro's televised speech.

¶5. (C) Comment: It remains to be seen whether Fidel, instead of having the last say, will be successfully relegated to the role of consultant, or even less. Raul may be playing to his base of hardliners in the regime, as well as using Fidel Castro's still-important blessing, in order to advance his plan of action: Streamline government institutions, eliminate some GOC regulations, reward more those who produce more, and continue a critical debate "within socialism." Raul's economic points, are not something with which most of the hardliners, beginning with Fidel, would easily agree. The continued presence of hardliners in the CoS may also reflect a critical mass of resistance to bold changes or reforms that is still prevalent within the regime. We will have to wait for the naming of

the government to get a better sense. In the meantime, we intend to consult as widely as possible for the reaction of Cubans, whose expectations will not be appeased by the speech.

PARMLY